

SECRET [REDACTED]

25X1

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

30 December 1980
NFAC 8282-80

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA : Deputy Director for National Foreign Assessment
National Intelligence Officer for Warning

FROM : [REDACTED]
Assistant National Intelligence Officer for
Western Europe

SUBJECT : Monthly Warning Assessment: Western Europe

25X1

WESTERN EUROPE - POLAND

1. As expectations of an imminent Soviet intervention in Poland fall, West Europeans are stressing the need for as much economic aid to Poland as the West can manage to provide. They do not expect the Soviets to object to this. But they are concerned about creating an atmosphere of "hysteria" over Poland, and most West European governments will remain wary of "hard" or detailed contingency planning for a Soviet intervention because they believe they need to retain flexibility given the wide range of possible scenarios for Soviet pressure on Poland, and their concern that the US, in a crisis, might press for a more dramatic Western reaction than the Europeans believe they could sustain.

PORTUGAL

2. Portugal's new Prime Minister Balsemao may work more smoothly with President Eanes than the previous government did, and the Democratic Alliance coalition will want to hang together to stay in power. But Balsemao's competence as prime minister is not established; he will be hard-pressed to avoid clashing with Eanes over constitutional reforms; and without Sa Carneiro the coalition, or the PSD, could fracture. These uncertainties could presage greater political turbulence in Portugal over coming months.

25X1

SECRET

SECRET [REDACTED]

25X1

- 2 -

SPAIN

3. Prime Minister Suarez has partly recouped his position by his recent interview with the king and his visit to the Basque region. [REDACTED] 25X1

[REDACTED] But Suarez made no real progress on Basque problems during his trip 25X1 and he could still face a serious challenge at his party's congress in January, particularly if terrorist attacks increase over coming weeks in the Basque region.

ITALY

4. The Forlani government and the Christian Democratic Party -- damaged by recent scandals, delays in undertaking earthquake relief measures, and internal divisions over how to deal with the PCI -- remain highly vulnerable. The DC has now openly addressed its need for political and financial reforms, and it has decided to cooperate with the PCI in governments at the regional and local levels in "exceptional circumstances" -- measures intended both to paper over the party's internal differences and to attract or press its coalition partners into renewed cooperation. But these groups -- especially the Socialists -- remain skeptical, and the PCI continues to demand the exclusion of the DC in its "present form" from the government. Italy now faces not only considerable political uncertainty -- including perhaps new momentum among the parties to force early elections -- but also more sizable economic problems compounded by the costs of earthquake reconstruction.

WESTERN EUROPE - JAPAN

5. The unpromising outlook for European exports in 1981 will mean continued or even strengthened pressure from the EC against Japanese and US exports, particularly in sensitive areas like automobiles and textiles. EC governments are not likely to agree on a common effort to alleviate their \$10 billion trade deficit with Japan: Bonn and London are resisting the formal protectionist measures that others, especially France and Italy, prefer. Even if the EC should reach an informal understanding with Japan on restraining the latter's exports to Europe, this will not discourage Japanese competition in major European export markets like the US.

EUROPE - US

6. West European and Canadian officials are taking the occasion of a change in the US administration to put forward proposals for new consultation mechanisms: Trudeau's proposal to give the economic summits a political dimension; the Danish suggestion that US-EC consultations be more highly structured; the West German idea for informal NATO ministers meetings; and others. But the Europeans will seek improved consultations especially in order to win a better

SECRET

SECRET

25X1

- 3 -

chance at influencing and tempering US behavior -- not because they believe consultations should necessarily lead to concerted alliance actions or demonstrations of Western unity. Differences of purpose could therefore mean increased US-European tension even if new consultation devices are developed.

25X1

SECRET